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September 20, 2007

The Honorable Charles D Nottingham
Chairman
Surface Transportation Board
395 E Street, SW, Suite 1220
Washington, DC 20423-0001

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BOARD
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C. D. NOTTINGHAM
CHAIRMAN

Dear Chairman Nottingham

This letter is in response to your letter of August 16, 2007 concerning Railroad Service Demands. As I know you are well aware, railroad traffic is down substantially from a year ago. Short Line and Regional railroads are experiencing a 7% decline which is somewhat higher than the Class I 4% reduction in carloads. This is a regional condition where some of our members are doing as well as last year, others are doing better and still others are in decline. It is driven by Class I volumes, product demands and locals requirements, but to be sure we are less busy moving freight this year than last.

That being the situation none of our members anticipate capacity or congestion problems this year. Last year a record breaking year for railroads in terms of freight volumes, did not produce any significant delays during the Fall Peak, and given less stress on the rail system this year we should not experience any freight movement delays or bottlenecks.

As I have done in the past I surveyed a select number of Short Lines that have an important role to play in freight movement in this country. They sit astride ports, terminals and critical interchange locations and are in a good position to sense how the industry is reacting to freight movement volumes. The responses to my request for information, as well as many other railroaders that I have spoken to informally over the past several months, report that this year will not produce rail slow downs.

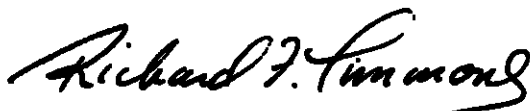
Despite this reduced pressure on the Short Line industry small railroad use of the federal tax credit has continued to pour millions of dollars into the Class II and III railroad network across the country This year has been a good year to invest in railroad infrastructure Today we believe that approximately \$250M attributable to the tax credit has been spent on rail properties and continues to be an invaluable means to improve safety, efficiency and productivity Many of the enhancements mentioned in the attached letters were possible as a result of the tax credit Unfortunately, it will expire at the end of this year and we are forcefully engaged in efforts to extend the credit for another 3 years

As you will see while reviewing the letter inputs from the small railroads their investment in locomotives, bridge upgrades, yard expansions, new sidings, new and upgraded track, new terminals and plants and technology that enhances train management and operations is impressive and growing. And, at the same time their dedication to service and customers is wide spread through a variety of communication initiatives, customer symposiums and plan sharing Now this is a very small sample of the "First Mile-Last Mile" segment of the industry, but it typifies the investments that are common and undertaken everyday.

I am always pleased to promote the enhanced posture of the small railroad industry It points to the growing sophistication and capabilities of Short Lines. This component of our national freight network is essential to both urban and rural regions of the country Five hundred - fifty six (556) railroads operating over 48K miles of main line handling 14M carloads annually throughout North America is critical to our economy and the communities that they serve Short Line railroaders are excited about the future and the possibilities for enhanced service and expansion.

The attached letters from a cross section of Short Line and Regional railroads are included for your review Please contact me if I may be of further assistance at 202-585-3440, or email rftimmons@aslrra.org

Respectfully,

A handwritten signature in black ink that reads "Richard F. Timmons". The signature is written in a cursive, flowing style.

Richard F Timmons

Attachments